

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

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FM AMEMBASSY LISBON

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E.O. 11652: N/A

TAGS: BGEN, ELAB, PO

SUBJECT: LATRIQUE DEVELOPMENTS

REF: A) STATE 201470 B) LISBON 5036

SUMMARY: DURING MEETING AT LABOR MINISTRY, LATRIQUE WORKERS MADE TWO PROPOSALS FOR RESOLUTION OF THEIR PROBLEMS. ONE INVOLVES RETURN TO PORTUGAL OF PETER VALE TO TAKE CONTROL OF FIRM.

1. LABOR AND COMMERCIAL ATTACHES WERE CALLED TO LABOR MINISTRY SEPTEMBER 15 TO DISCUSS LATRIQUE PROBLEM WITH MINISTRY OFFICIALS AND WORKERS COMMISSION. BOTH WORKERS AND MINISTRY REPRESENTATIVES PRESENTED CONCILIATORY ATTITUDES, STATING REPEATEDLY THEIR PRIMARY CONCERN WAS TO PROTECT EMPLOYMENT.

2. WORKERS, WITH APPARENT CONSENT OF MINISTRY, MADE FOLLOWING TWO PROPOSALS DURING 90-MINUTE MEETING. ACCORDING TO WORKERS, EITHER WOULD BE ACCEPTABLE.

A) PROPOSAL A. WORKERS WANT PETER VALE TO RETURN TO PORTUGAL AND TO TAKE FULL CONTROL OF PLANT AND MANAGEMENT PREROGATIVES. WORKERS MAINTAINED THEY WANT ONLY TO WORK
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AND ARE NOT INTERESTED IN POLITICS. THEY BELIEVE THEY ARE

ABLE TO WORK FOR AND WITH VALE. LABOR MINISTRY STATED IT IS WILLING TO OBTAIN FROM APPROPRIATE AUTHORITIES NECESSARY WRITTEN GUARANTEE THAT VALE, SHOULD HE DECIDE TO COME TO PORTUGAL TO CONSIDER THIS PROPOSAL, WOULD NOT BE ARRESTED OR PROHIBITED LATER FROM LEAVING THE COUNTRY. WORKERS STATED THEY COULD PRODUCE BRAS AT COSTS COMPETITIVE WITH ANY OTHER LATRIQUE SOURCE. ALSO, THEY MAY BE WILLING TO TALK TO PORTUGUESE BANKING SYSTEM ABOUT CREDIT.

B) PROPOSAL B. WORKERS WANT FUTURE ORDERS FROM MONTGOMERY WARD FOR PRODUCTION OF BRAS. UNDER THIS PROPOSAL, WARD WOULD SEND RAW MATERIALS AND RECEIVE FINISHED PRODUCT. WORKERS STATE THAT BANCO ESPIRITO SANTO IS WILLING DEPOSIT FUNDS IN A NEW YORK BANK TO GUARANTEE RAW MATERIALS AND DELIVERY DATES. THERE WAS NO DISCUSSION OF FUTURE LEGAL STRUCTURE OF FIRM UNDER THIS ALTERNATIVE.

3. WORKERS ADMITTED PAST LOW PRODUCTION RATES AT PLANT, CITING POOR MANAGEMENT RESULTING IN LACK OF RAW MATERIALS AND "SOME" LABOR DIFFICULTIES. THEY ATTRIBUTE THESE, AS WELL AS SEVERAL ANTI-LATRIQUE PRESS ARTICLES, TO "THREE OR FOUR" DISSIDENT ELEMENTS IN PLANT. LABOR MINISTRY OFFICIALS AGREED, THOUGH SOMEWHAT TENTATIVELY BECAUSE OF LACK OF LEGAL BACKGROUND, THAT PLANT STILL BELONGS TO VALE. WORKERS ALSO AGREED TO THIS WHEN PRESSED, BUT THEY CONTINUALLY TALKED IN TERMS OF ABANDONMENT, CITING TELEPHONE CONVERSATIONS AND VALE LETTER TO BANK AS EVIDENCE.

4. PLANT CURRENTLY BEING ADMINISTERED BY "ADMINISTRATIVE COMMISSION" SELECTED BY WORKERS. COMMISSION INCLUDES BOTH TECHNICAL AND ADMINISTRATIVE PERSONNEL AND CLAIMS COMPETENCE TO CONTINUE PRODUCTION. ONE MEMBER OF COMMISSION IS UNDERSTOOD TO HOLD POWER OF ATTORNEY FROM VALE GIVING LEGAL AUTHORIZATION FOR HIM TO MAKE PURCHASES, EXPENDITURES, AND OTHER NECESSARY DECISIONS.

5. WITH REGARD QUESTIONS REFTEL A, FACT THAT PLANT EQUIPMENT APPARENTLY MORTGAGED TO ESPIRITO SANTO BANK MAY MAKE REMOVAL LEGALLY IMPOSSIBLE GIVEN GOVERNMENT OWNERSHIP OF BANK. VALUE OF PLANT AND EQUIPMENT ALLEGEDLY INSUFFICIENT TO MEET MORTGAGE AND UNEMPLOYMENT INDEMNITIES DUE WORKERS. LIMITED OFFICIAL USE

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INVENTORY NOW BEING SEWN INTO FINISHED PRODUCT FOR SALE TO MONTGOMERY WARD WITH KNOWLEDGE OF VALE. EMBASSY NOT AWARE OF ANY GOP DISCRIMINATION AGAINST LATRIQUE; MINIMUM WAGE LAW, PROHIBITION OF DISMISSAL OF WORKERS APPLICABLE TO ALL FIRMS, BOTH DOMESTIC AND FOREIGN. EMBASSY NOT AWARE OF ANY OTHER LATRIQUE ASSETS IN PORTUGAL.

6. EMBASSY OFFICERS AGREED PASS ON TO VALE PROPOSAL A THAT HE

RETURN. OFFICERS WERE NON-COMMITAL ABOUT TRANSMITTING PROPOSAL B TO WARD GIVEN LEGAL OWNERSHIP BY US CITIZENS OF LATRIQUE. UNDERSTAND WORKERS IN CONTACT WITH LOCAL WARD REPRESENTATIVE.

7. ACTION: IN SEPTEMBER 3 LETTER TO EMBASSY AND LATE AUGUST CONVERSATION WITH DEPARTMENT OFFICIALS, VALE EXPRESSED WILLINGNESS TO CONSIDER RETURN TO PORTUGAL SHOULD CIRCUMSTANCES OR SITUATION CHANGE. EMBASSY HOPEFUL THAT APPARENT CHANGE IN WORKERS ATTITUDE, THEIR STATED WILLINGNESS AND ABILITY TO TALK TO AND INFLUENCE NATIONALIZED BANKING SYSTEM, THE CHANGING POLITICAL SITUATION, AND APPARENT HELPFULNESS OF LABOR MINISTRY MAY MAKE VALE RECONSIDER DECISION. COMBINATION OF FACTORS COULD HELP HIM RECOUP INVESTMENTS. REQUEST DEPARTMENT CONTACT VALE AND PRESENT WORKERS PROPOSAL, OBTAIN RESPONSE, AND TRANSMIT IT TO EMBASSY. EMBASSY WILL INFORM LABOR MINISTRY OF RESPONSE. CARLUCCI

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